

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 677 - HB 1267

March 17, 2013

SUMMARY OF BILL: Enacts the “Fiscal State Tracking and Accountability Report (STAR) System Act” or the “Fiscal STAR System”. Requires the State Board of Education (SBE), in consultation with the Comptroller of the Treasury, to promulgate rules and regulations to implement the Fiscal STAR System, and to annually identify schools, LEAs, and public charter schools based on a one-of-five star ranking, with five stars being the highest ranking and one star being the lowest ranking, and a fiscal star rating based partly on fiscal outcomes and financial operations. When assigning a star to a school for financial operations, the assessment of the school’s applicable LEA or public charter school shall be transferred to the school. When determining the fiscal star rating for each school, LEA, and public charter school, the distribution of performance of all schools, LEAs, and public charter schools, the year-to-year performance within each respectively, and the relative performance of fiscal peers, shall be taken into account.

Beginning June 30, 2015, the Commissioner of the Department of Education (DOE) is required to collect data necessary to implement the Fiscal STAR System from each school, LEA, or public charter school that receives public funds and has students who take a state assessment or nationally normed test. Requires the Commissioner to be responsible for verifying data accuracy; assigning a star rating to each eligible school, LEA, or public charter school, and comparing the star rating for each respectively to its fiscal peers. Non-public schools that receive public funds to support the tuition of students enrolled shall only be subject to the data collection and reporting requirements.

Requires the Commissioner of Education to publish a report on the Fiscal STAR System by June 30, 2015, and in each subsequent fiscal year. This report shall contain a sortable list of each school, LEA, and public charter school, showing each measure of fiscal data used to determine the fiscal star rating, the rating of each from the three previous fiscal years, and a comparison to their respective fiscal peers. Requires each school, LEA, and public charter school to link, or update a link, to the Fiscal STAR System report on DOE’s website. Each school, LEA, and public charter schools shall distribute information on fiscal star ratings and reports to parents of students.

Beginning on June 30, 2016 and each subsequent year, all LEAs and public charter schools that receive a star rating of two stars or below shall be subject to interventions. In the first year, LEAs or public charter schools shall be paired with a fiscal peer with a higher fiscal outcome or financial operation star rating. This peer shall provide technical assistance to the LEA or public charter school and its governing body in financial operations and fiscal outcomes. In the second year following a rating of two stars or below, the Commissioner of Education is required to review and approve, on a line-item basis, the LEAs annual budget. In the third year following a

SB 677 - HB 1267

rating of two stars or below, the Commissioner of Education shall appoint a financial receiver who shall have sole authority to create and execute budgets for the LEA and any of its schools; negotiate, renegotiate, approve, or enter into contracts on the LEA's behalf; receive and disburse all LEA funding; sell, assign, transfer, or otherwise use LEA assets to meet current or past obligations; approve and disapprove the issuance of obligations of the LEA; employ and contract for, at the LEA's expense, any staff or administrators; exercise solely and on the behalf of the LEA, all other authority and responsibilities affecting the LEA ascribed by law, by the local board of education and director of schools, or as determined by the Commissioner of Education. Requires the financial receiver to remain in place until the LEA has improved its star rating to a three or higher for two consecutive fiscal years.

For public charter schools, in the second and subsequent fiscal year of receiving a two star rating or lower, all public charter school chartering authorities shall develop plans for financial intervention.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures - \$98,000/FY14-15 and Subsequent Years

Increase Local Expenditures – \$1,700,000/FY14-15*

Assumptions:

- According to the State Board of Education, any cost to develop the Fiscal STAR System ratings can be accomplished within the normal course of business without a need for additional meetings or new personnel.
- DOE will require one additional fiscal staff position to oversee the Fiscal STAR rating system, verify data, assign ratings, and monitor interventions. The recurring increase in state expenditures is estimated to be \$98,023 (\$80,000 salary and \$18,023 in benefits).
- DOE estimates that at least 50 percent of LEAs (or 68) will be required to upgrade their financial reporting software in FY14-15 to enable school-level financial reporting by June 30, 2015. The one-time increase in local government expenditures is estimated to be \$25,000 per LEA.
- The total one-time increase in local government expenditures is estimated to be \$1,700,000 (\$25,000 x 68). These one-time expenditures will occur in FY14-15.

*Article II, Section 24 of the Tennessee Constitution provides that: *no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "Lucian D. Geise". The signature is fluid and cursive, with the first name "Lucian" written in a larger, more prominent script than the last name "Geise".

Lucian D. Geise, Executive Director

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